

**Jeremy Nowak, Executive Director
Delaware Valley Community Reinvestment Fund**

May 22, 1995

Address Upon Accepting the Philadelphia Award

Friends, ladies and gentlemen, trustees of The Philadelphia Award. Thank you for this honor. In the brief time that I have I would like to tell you about the work that I do, some of what I have learned during the past decade, and why I do it.

I like to describe the Reinvestment Fund in three ways.

First, we are organizers. We organize money by engaging ordinary citizens and private sector institutions in a dialogue about values and interest. Like any good organizer, we agitate

and sometimes we create a little discomfort, but mostly we enter into relationships and partnerships through a simple bargain. Invest in us, and we will be a good social and financial steward of your capital. You will not get rich by investing in the Fund, but we will preserve your money, give you a modest return

and provide you with an opportunity to rebuild neighborhoods, support families and children, and create meaningful employment. Like any authentic process of organizing this involves slow, person-to-person conversation. It is relational — there are not many “wholesaling” moments. Scale for us refers to a scale of civic relations rooted in shared risk and shared commitment, not the mass

commodification of a financial product. During the past decade we have entered into 700 of these relationships. And we look forward to many more in the future.

Secondly, we are social bankers. We invest money into projects to affect a social and financial return. We integrate business discipline with a regard for disadvantaged populations, who often have limited access to conventional financial markets. In doing so, we accept the tension that the integration of business values and social responsibility implies. It is, in fact, the creativity of this tension that is the primary source of our organizational learning; we mitigate risk through technical assistance to our borrowers and we understand collateral as a mixture of social knowledge and financial coverage. Most importantly, we bring ourselves to each project with a long term perspective. In contrast to much of the financial services industry — which is increasingly defined by the bundling, sale, disaggregation, and re-assembly of assets that have no identity with place, product, or person — our mission demands that we be long-term, labor-intensive providers of local credit. We think that this is what is needed in order to create and sustain an entrepreneurial economy and a revitalized housing market in the



Jeremy is congratulated by U.S. Senator Bill Bradley and Ronald J. Naples, Chair of the Philadelphia Award. Looking on are the Honorable Walter H. Annenberg and Jane Eisner, Editorial Page editor of the Philadelphia Inquirer. Butler Photography

inner city. After more than \$25 million of such transactions — 50 percent of which have occurred in the past two years alone — we've learned to navigate the tension between social values and financial accountability.

Finally, we are intermediaries. We mediate between sectors, transactions, and cultures. We stand between investors and those in need of credit. We link inner city projects and conventional financial institutions. We link government subsidies to private initiative. We work in the social and institutional space between public sector inclusion and private sector interest, between the technical and the political, and between the right to credit and the responsibility to make projects work. As a mediating institution we have learned that the current ideological fashion that would reduce all social problems to the cure of the market place is as problematic as the tendency to try to solve all social problems through public bureaucracy and the culture of entitlement. We occupy a mediating position where performance and discipline has to count. While we look forward to constructing meaningful partnerships with community-based institutions, the public sector, and private sector lenders, we are also aware of the evolving vacuum within which we are situated — a public sector with less resources and a diminished mission, and a private sector that is increasingly globalized and often distant from public life. We work against the tide of public and private secession. We have no choice. This is our town, our neighborhoods, our region, and our money to which we have claimed responsibility.

During the past ten years we have learned more than the technical arts of lending, planning, building, and analyzing financial data. We have learned something about political culture and what it takes to get things done.

I would like to share some of what we have learned:

1) Performance Over Politics:

More than any other lesson, we have learned that the integrity of a project, its viability and sense, must take priority over politics. To some extent, we have been privileged in that our private money insulates us from political pressure. But, early on, we learned that we would be defined as much by what we did not lend to as what we did lend to. Poorly conceived projects create no housing units, jobs, or services. Working against a history in the late 1960's and early 1970's when the Federal government and the religious community helped create hundreds of socially motivated lending programs, almost all of which failed, we were determined to get it right. We think that we have. When I testified in front of the Senate Banking Committee on behalf of the Community Development Financial Institutions Act (the Clinton Administration's community development banking bill) it was based on that experience and on the necessity that public policy must be performance-based in order not to repeat a history of lost opportunities.

2) Capital Is Never Enough:

While we were conceived as a capital-driven solution to neighborhood revitalization, it did not take us long to learn that capital is necessary but not sufficient. It does not in and of itself create vision, social organization, technical capacity, or public will. It cannot buy social fabric or market viability. The right kind of money can catalyze and support development, but it cannot lead, define, or secure it. Our limitations — the limitations of what debt can do — forced us to think about our enterprise in new ways. We began to ask ourselves what other kinds of skills, relationships and partnerships were needed in order to make our money most useful. We began to conceptualize lending as the identification of talent and energy; development credit as a social connector.

3) Organized People Are Our Greatest Ally:

Our money is most useful when it can be placed in the service of what Robert Putnam refers to as social capital — the citizens of North Camden, a cooperative of healthcare workers, a coalition of churches, a community-centered school. They can remove the obstacles — political and technical — to its use. They organize consent, set in motion a development process, and reweave social fabric. Without social capital, and the accountability and reciprocity that it brings, our lending program is isolated and largely accidental. With organized people, we can conceive of a ten year rebuilding program in North Camden or an alliance with Philadelphia Interfaith Action that will result in the construction of 1,000 new townhomes throughout Philadelphia. When people and neighborhoods are organized, they gain the political self-respect that makes it easier for them to become full actors in their own society. When they have political self-respect they begin to trust in their own experience and use it as a source of social construction. To us, this translates into a civic entrepreneurship that means housing units and business investment.

4) We Need to Have An Ambition That Fits the Problem:

The problem that we face collectively is not how to successfully make a loan for this or that house, or to this or that business. The problem that we face is how to restore a residential market place, how to promote the ordinary flow of capital into underserved areas, how to make public administration effective in order to support the development process, and how to prepare workers for real jobs (the kind that will be full-time and maybe even have some benefits). I did not get into this business to learn how to be a good lender (most of my colleagues would probably say that's a good thing). I got into this

business because I wanted to understand how to make North Camden and North Philadelphia like other healthy neighborhoods. This requires interventions that will result in building incomes, undertaking community development at a real scale, and developing strategies to link inner city residents to regional growth opportunities. We need to be ambitious. A nation that built a middle class after the second world war on a diet of well-paying entry level jobs and inexpensive (and heavily subsidized) homeownership opportunities has to rebuild a middle class out of the inner city poor. The failure to do so will have immeasurable political consequences.

5) Don't be Afraid to Question Assumptions and Challenge

Institutional Identity: We've learned to be pragmatists. Being a pragmatist does not mean that you do not have values, it means that you are not a conceptual ideologue. This is important because the practice of community development and community building requires an openness to new ideas and challenged assumptions. When we began the Fund we had limited relationships with banks — frankly many of them were a bit tense. Now about 25 percent of all of our loans are done with banks and we run a subsidiary corporation that is made up of bank lines of credit for use in construction lending. Tomorrow I will attend a press conference with Dick Smoot and several other CEO's to announce a new bank lending program in partnership with the Philadelphia Development Partnership and the City of Philadelphia. We will be the managers of the Philadelphia Bankers Development Initiative. When we began the Fund we saw ourselves as a provider of development credit for locally based initiatives. While that mission remains, we have become concerned with neighborhood revitalization's over-reliance on small geographical units as the central fact

of entrepreneurship. We think that it has the potential to obscure the key factor in creating healthy communities in the 21st century — the ability to create the proper connective tissue between a neighborhood and a region. We think that successful community building must view locality as an associational strength, not a bunker. As we are developing our next subsidiary — organized around investing equity and debt into busi-



nesses — we are learning to think about economic sectors and regional economies and how they relate to the workers that are moving into Nehemiah houses or North Camden apartments.

The reasons why I work at the Fund are personal, accidental, and normative. I work at the Reinvestment Fund because it is an institution that allows me to make a living, while making demands on my technical and analytical skills, at the same time that it provides a venue for my values. There are increasingly fewer places that provide this opportunity in a creative and demanding way. I also work at the Reinvestment Fund because it has given me the opportunity to grow a business, work with a team of colleagues (all of whom are better

Top: Mayor Ed Rendell and DVCRF Board President Phoebe Haddon enjoy a laugh at the award celebration. Photo by Karen Mauch

Middle: (l. to r.) CDI Technical Assistance Officer Nicole Vance, Dr. Walter Harris, DVCRF Board Secretary Adina Abramowitz, DVCRF Board Treasurer Tom Whitford, and Margaret Lehr of the National Association of Community Development Loan Funds. Photo by Karen Mauch

Bottom: DVCRF Director of Lending Wanda James Speight talks with David Haas and Councilwoman Happy Fernandaz. Photo by Karen Mauch

at doing what they do than I would be), serve a Board of Directors that knows how to keep me out of too much trouble, and construct relationships with civic leaders, congregations, bankers, citizens, entrepreneurs, and investors. I work here because in a single day I get to relate to people like Rev. Miller and Rev. Newkirk of Philadelphia Interfaith Action and Tom Knoche and Gloria Lyons from North Camden. These are the people that make cities worth it.

I also work at the Fund because of two important beliefs:

First, I believe that a functioning democracy must be rooted in a strong public sphere — a place where despite our differences of geographical, ethnic, and class identity we can meet, associate, solve problems, identify our interest, define common values, and organize

we work, the possibility of public life — what the political scientist Sheldon Wolin refers to as “politicalness” — only occurs within the congregations and civic associations that we relate to. We seek the opportunity, then, to not only finance projects, but to assist in the recapturing of democracy. Our loan committee itself — a mixture of bankers and community workers — is a good example of voluntary democracy — it’s self-organized and self-regulated, its culture is a negotiation of interest and perspectives. It forges common values out of real public tension.

Secondly, I believe in the ability to change things and create a future. I do not see the future of this city or region as something that happens to us, but something that we participate within. Real city building is not a matter of accommodating to prior trends, it is a matter of catalyzing new possibilities. I cannot begin to tell you how many people told me that there would be no market for Nehemiah houses. Somebody forgot to tell the people that are buying them as quickly as Philadelphia Interfaith Action can build them. If I have learned anything from lending money, it is the necessity of thinking about the future. If you make a 15-year loan to a daycare center in a low income neighborhood, then you had better believe in the future, because it is more than likely that your investment will not be quickly returned to you through a secondary market purchase. A portfolio is a gamble on a future. We hedge our bets by investing in the civic capacity that can win.

On behalf of all of the community partners, investors and personnel associated with the Fund.... on behalf of all of the efforts to rebuild our city, I accept the 1994 Philadelphia Award.

Thank you.

Top: Jeremy Nowak and U.S. Representative Tom Fogietta. Photo by Karen Mauch

Middle: Joan Brodhead of Meridian Bank, John Carpenter of New Kensington CDC, and DVCRF's Joe Killackey. Photo by Karen Mauch

Bottom: Jeremy Nowak shares a laugh with PIA Board President Rev. Isaac Miller and PIA Board member Rev. Kermit O. Newkirk. Photo by Karen Mauch



ourselves. I see that public sphere as a place that will have (by necessity) some tension in it. It's never clean or easy. But success in public life is measured by accomplishment, accountability, and respect. It is not measured by how well you are liked and how many meetings and ribbon cuttings you attend. I do not believe that citizenship is given; but rather claimed, rediscovered, and reorganized. In many of the neighborhoods in which